



OHIO AUDITOR OF STATE  
**KEITH FABER**





VILLAGE OF WOODSFIELD  
MONROE COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For The Year Ended December 31, 2018 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2018 .....	4
Notes to the Financial Statements .....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings.....	19
Summary Schedule of Prior Audit Findings (Prepared by Management).....	28

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## INDEPENDENT AUDITOR'S REPORT

Village of Woodsfield  
Monroe County  
221 South Main Street  
Woodsfield, Ohio 43793

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Woodsfield, Monroe County, Ohio (the Village), as of and for the year ended December 31, 2018.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018, and the respective changes in financial position or cash flows thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Woodsfield, Monroe County, as of December 31, 2018, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

August 26, 2019

**VILLAGE OF WOODSFIELD  
MONROE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCE (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$146,920	\$10,573	\$0	\$0	\$157,493
Municipal Income Tax	227,507	265,284	17,983	0	510,774
Intergovernmental	32,392	114,736	0	0	147,128
Special Assessments	2,865	0	0	0	2,865
Charges for Services	197,116	194,816	0	435	392,367
Fines, Licenses and Permits	28,535	3,221	0	0	31,756
Earnings on Investments	1,480	128	0	601	2,209
Miscellaneous	23,427	138,942	17,199	0	179,568
<i>Total Cash Receipts</i>	<u>660,242</u>	<u>727,700</u>	<u>35,182</u>	<u>1,036</u>	<u>1,424,160</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	419,772	34,641	0	0	454,413
Public Health Services	0	126,184	0	5,756	131,940
Leisure Time Activities	0	110,778	0	0	110,778
Community Environment	0	622	0	0	622
Basic Utility Services	0	4,912	0	0	4,912
Transportation	0	288,972	0	0	288,972
General Government	211,596	31,585	0	0	243,181
Capital Outlay	0	18,894	32,362	24,500	75,756
Debt Service:					
Principal Retirement	4,775	32,316	41,188	0	78,279
Interest and Fiscal Charges	2,969	6,516	8,324	0	17,809
<i>Total Cash Disbursements</i>	<u>639,112</u>	<u>655,420</u>	<u>81,874</u>	<u>30,256</u>	<u>1,406,662</u>
Excess of Cash Receipts Over (Under)					
<i>Cash Disbursements</i>	<u>21,130</u>	<u>72,280</u>	<u>(46,692)</u>	<u>(29,220)</u>	<u>17,498</u>
<b>Other Financing Receipts (Disbursements)</b>					
Loss on Sale of Investment	0	0	0	(118,792)	(118,792)
Advances In	1,000	1,000	0	0	2,000
Advances Out	(1,000)	(1,000)	0	0	(2,000)
Other Financing Sources	322	7,231	0	0	7,553
Other Financing Uses	(3,279)	0	0	0	(3,279)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,957)</u>	<u>7,231</u>	<u>0</u>	<u>(118,792)</u>	<u>(114,518)</u>
<i>Net Change in Fund Cash Balances</i>	18,173	79,511	(46,692)	(148,012)	(97,020)
<i>Fund Cash Balances, January 1</i>	<u>93,989</u>	<u>269,401</u>	<u>98,180</u>	<u>1,337,350</u>	<u>1,798,920</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	0	0	0	1,132,495	1,132,495
Restricted	0	225,564	29,299	56,843	311,706
Committed	0	123,348	22,189	0	145,537
Assigned	39,687	0	0	0	39,687
Unassigned	72,475	0	0	0	72,475
<i>Fund Cash Balances, December 31</i>	<u>\$112,162</u>	<u>\$348,912</u>	<u>\$51,488</u>	<u>\$1,189,338</u>	<u>\$1,701,900</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF WOODSFIELD  
MONROE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$4,973,132	\$0	\$4,973,132
Fines, Licenses, and Permits	1,770	0	1,770
Miscellaneous	1,537	0	1,537
<i>Total Operating Cash Receipts</i>	<u>4,976,439</u>	<u>0</u>	<u>4,976,439</u>
<b>Operating Cash Disbursements</b>			
Personal Services	777,076	0	777,076
Employee Fringe Benefits	396,866	0	396,866
Contractual Services	2,761,133	0	2,761,133
Supplies and Materials	451,891	0	451,891
Other	10,517	0	10,517
<i>Total Operating Cash Disbursements</i>	<u>4,397,483</u>	<u>0</u>	<u>4,397,483</u>
<i>Operating Income (Loss)</i>	<u>578,956</u>	<u>0</u>	<u>578,956</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Property and Other Local Taxes	6,916	0	6,916
Special Assessments	2,033	0	2,033
Sale of Notes	798,000	0	798,000
Other Debt Proceeds	123,787	0	123,787
Other Non-Operating Cash Receipts	23,356	37,616	60,972
Capital Outlay	(95,480)	0	(95,480)
Principal Retirement	(1,093,675)	0	(1,093,675)
Interest and Other Fiscal Charges	(71,611)	0	(71,611)
Other Financing Uses	(585)	0	(585)
Other Non-Operating Cash Disbursements	0	(37,616)	(37,616)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(307,259)</u>	<u>0</u>	<u>(307,259)</u>
<i>Income before Special Item and Transfers</i>	271,697	0	271,697
Special Item	600,000	0	600,000
Transfers In	100,000	0	100,000
Transfers Out	(100,000)	0	(100,000)
<i>Net Change in Fund Cash Balances</i>	871,697	0	871,697
<i>Fund Cash Balances, January 1</i>	<u>1,014,900</u>	<u>0</u>	<u>1,014,900</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,886,597</u>	<u>\$0</u>	<u>\$1,886,597</u>

The notes to the financial statements are an integral part of this statement



**Village of Woodsfield**  
*Monroe County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 - Reporting Entity**

The Village of Woodsfield, Monroe County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council and Mayor act as the legislative body of the Village. The Village provides water, sewer, electric, and television cable / internet utilities, park operations, cemetery services, and police services to over 2,400 residents. The Village contracts with the Woodsfield Volunteer Fire Department to provide fire protection services as well as controlling the fire department's grants and levy funds.

The Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Cemetery Fund*** This fund is used for maintenance of the Oaklawn cemetery grounds; the administration of burial lot sales and associated record keeping. Proceeds from lot sales, grave opening fees and pouring of concrete foundations for gravestones provide its revenue. This fund is currently receiving royalty monies for mineral right leasing/ drilling to Gulfport Energy.

***Parks and Recreation Fund*** This fund is used for the operation, maintenance and repair of the Monroe Memorial Park, playground, basketball court, football stadium, baseball field and tennis courts as well as for the City Park. This fund receives funds from a lease, pool admissions and concession stand sales, net Municipal Income Tax and private donations.

***Capital Project Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

**Village of Woodsfield**  
*Monroe County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Fund Accounting (Continued)***

***Firehouse Building Fund*** The firehouse building fund received levy monies from Center Township to fulfill a contract with the Village for fire protection services.

***Permanent Funds*** These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

***Braque Endowment Fund*** This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Oaklawn Cemetery.

***Enterprise Funds*** These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

***Electric Operating Fund*** The fund receives revenue from the sale of electricity to municipal electric customers, both commercial and residential, and charges for services to customers. Also within this fund are proceeds from the American Municipal Power (AMP) line of credit for repairs required at the electric substation following a fire. Repayments to the line of credit, and other debt related to the electric department are paid out of this fund along with regular operating expenses.

***Cable System Fund*** The fund receives revenue from the sale of cable television service and cable internet service to customers. Proceeds are used for the operation and maintenance of the system and contracts related to providing those services. Effective October 29, 2018, the Village entered into a Master Asset Purchase Agreement with Massillon Cable TV, Inc. to sell their cable TV and internet distribution system.

***Water Operating Fund*** The fund receives revenue from the sale of water to municipal water customers, as well as bulk sales of water. Monies are used for the treatment and distribution of water.

***Sewer Operating Fund*** The fund receives proceeds from charges for septic collection to each customer based on a flat rate, plus gallons of water used. Revenue is used for the maintenance and operation of the village sewage system.

***Fiduciary Funds*** Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for activity of the Mayor's Court. This fund receives fines and forfeitures from police department citations. These monies are divided between the Village and the State, as prescribed by law.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis.

**Village of Woodsfield**  
*Monroe County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 4.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values the various securities and common stock at cost.

***Capital Assets***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**Village of Woodsfield**  
*Monroe County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Fund Balance (Continued)***

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Compliance**

Contrary to Ohio law, appropriations exceeded estimated resources in the General Fund by \$39,791 for the year ended December 31, 2018. Also contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Bague Endowment and Electric Operating Funds by \$26,957 and \$734,546, respectively, for the year ended December 31, 2018.

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$536,720	\$660,564	\$123,844
Special Revenue	731,738	734,931	3,193
Capital Projects	32,050	35,182	3,132
Enterprise	4,415,205	6,630,531	2,215,326
Permanent	115,450	1,036	(114,414)
Total	\$5,831,163	\$8,062,244	\$2,231,081

**Village of Woodsfield**  
*Monroe County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 4 - Budgetary Activity (Continued)**

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$680,187	\$644,694	\$35,493
Special Revenue	913,615	657,230	256,385
Capital Projects	130,061	81,874	48,187
Enterprise	5,335,412	5,763,599	(428,187)
Permanent	123,321	149,048	(25,727)
Total	\$7,182,596	\$7,296,445	(\$113,849)

**Note 5 – Deposits and Investments**

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2018
Demand deposits	\$2,507,174
Other time deposits (savings and NOW accounts)	1,343
Total deposits	2,508,517
Various securities, including mutual funds & common stock	1,079,980
Total investments	1,079,980
Total deposits and investments	\$3,588,497

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

At December 31, 2018, \$215,224 of deposits were not insured or collateralized, contrary to Ohio law.

***Investments***

A financial institution's trust department holds the Village's equity securities in book entry form in the Village's name.

Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

At December 31, 2018, the Village's investment broker held \$546,462 in common stocks as part of the Brague Endowment Fund. This was the fair value of the common stock at December 31, 2018. Common stock is not an eligible investment for the Village under Ohio law.

**Village of Woodsfield**  
*Monroe County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 6 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

***Income Taxes***

The Village levies a municipal income tax of 1% (one percent) on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Note 7 - Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments effective October 31, 2018. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**Village of Woodsfield**  
*Monroe County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 7 - Risk Management (Continued)**

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017 (the latest information available):

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017, the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the Village's share of these unpaid claims collectible in future years is approximately \$12,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b><u>2018 Contributions to PEP</u></b>
\$ 19,559

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Village employees, other than full-time Police Officers, belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

***Ohio Police and Fire Retirement System***

Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

**Village of Woodsfield**  
*Monroe County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 8 - Defined Benefit Pension Plans (Continued)**

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

**Social Security**

Village Council members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

**Note 9 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**Note 10 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$369,965	0.00-0.02%
Ohio Water Development Authority Loans	936,052	0.00-4.50%
General Obligation Notes	509,448	3.50-3.89%
General Obligation Bonds	841,095	4.00-4.375%
Bond Anticipation Note (BAN)	719,250	3.00%
Total	\$3,375,810	

The Ohio Public Works Commission (OPWC) loans relate to water line, sewer line, and water and sewer plan improvement projects the Ohio Environmental Protection Agency mandated. The OPWC approved \$779,729 in loans to the Village for these projects. The Village will repay the loans in semiannual installments over 20 years. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) loans related to various waterline extension projects and the purchase of a lake. The OWDA approved \$1,259,645 in loans to the Village for these projects. The Village will repay the loans in semiannual installments over a total of 30 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.



**Village of Woodsfield**  
*Monroe County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 10 – Debt (Continued)**

In addition, the Village has an open loan of \$201,508 with OWDA for design for combined sewer separation to satisfy their Long-Term Control Plan, of which \$190,403 was drawn.

The Village issued general obligation notes to finance the purchase of a garage, the purchase of new equipment and trucks for the street and utility departments, a pumper fire truck, and the purchase of the Weckenbacher property, which was part of the EPA mandated Long-Term Control Plan (LTCP) for a Sewer Separation Project. The Village’s taxing authority collateralized the notes.

The Village issued general obligation bonds to finance the purchase of a television cable system and a new fire truck. The Village’s taxing authority collateralized the bonds issued for the fire truck and the bond issued for the cable system is collateralized by cable receipts.

By the close of 2017, the Village and American Municipal Power (AMP) had coordinated efforts to issue a new 2018 BAN for the purpose of making improvements to the Village’s municipal electric system. The Village applied for a credit enhancement program through the Treasurer of State, the Ohio Market Access Program (OMAP), which leveraged the State’s high credit rating in order to lower interest rates for the Village. The total amount of the 2018 BAN is \$798,000. The BAN was issued for one year and matures on January 24, 2019. The Village makes payments of \$7,875 in principal, plus interest, each month to AMP.

**Amortization**

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	OPWC Loans	OWDA Loans	General Obligation Notes	General Obligation Bonds	BAN
2019	\$43,468	\$92,555	\$128,885	\$98,892	\$721,497
2020	43,468	111,339	96,623	95,656	0
2021	40,234	111,339	79,069	95,656	0
2022	37,001	111,339	79,069	95,656	0
2023	29,433	111,339	29,558	95,656	0
2024-2028	130,694	306,219	114,383	478,281	0
2029-2033	55,353	129,372	65,955	95,656	0
2034-2038	0	93,253	0	0	0
Total	<u>\$379,651</u>	<u>\$1,066,755</u>	<u>\$593,542</u>	<u>\$1,055,453</u>	<u>\$721,497</u>

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village’s share was 3,000 kilowatts of a total 771,281 kilowatts, giving the Village a 0.39 percent share. The AMPGS Project required participants to sign “take or pay” contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were, therefore, deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP’s pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village’s estimated share at March 31, 2014 of the impaired costs is \$518,407.

**Village of Woodsfield**  
*Monroe County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 10 – Debt (Continued)**

The Village received a credit of \$201,491 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$135,675 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU). In addition, the Village made payments totaling \$167,830 leaving an estimated net impaired cost balance of \$13,411. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village's net impaired cost balance. These amounts will be recorded as they become estimable.

The Village intends to recover these costs and repay AMP through a power cost adjustment of \$2,022 per month until the liability is paid in full.

**Note 11 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 12 – Subsequent Events**

1. The Village was approved for USDA financing in October 2017 for their Long-Term Control Plan – Sewer Separation project. The Village was awarded grant funds of \$1,007,000 and loan funds up to \$1,171,000. Construction for this large project will begin in the summer of 2018. Additionally, the Fairground Road Waterline Project should begin in 2018. This project was originally approved for funding in 2016, also by USDA. The Village was approved for \$217,000 in grant funds and \$824,000 in loan funds. The project was put out for bid in July 2019. The Village has not drawn funds from either award.
2. In February 2019, the Village issued a commercial promissory note to finance the purchase of a 2008 Ford F-450 Dump Truck for use in the Street Department, in the amount of \$26,000, at a percentage rate of 3.75%, for 5 years.
3. In December 2018 the Village sold the Municipal Cable Department to Massillon Cable and Television (MCTV) for \$800,000. A first installment of \$400,000 was paid at the time of closing and another of \$200,000 was paid by year-end. The remaining \$200,000 balance was paid to the Village on April 30, 2019.
4. On November 19, 2018, Village Council approved the renewal of the \$798,000 2018 bond anticipation note. The 2019 renewal was issued for \$704,000 at a percentage rate of 3.00%. The note is dated January 24, 2019 with maturity date of January 23, 2020.

**Note 13 – AMP Revenue Coverage**

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

**Village of Woodsfield**  
*Monroe County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 13 – AMP Revenue Coverage (Continued)**

	<u>2018</u>
Total Fund Cash Balance	\$730,326
Total Long-Term Debt	719,250
 <b>Condensed Operating Information:</b>	
Operating Receipts	
Charges for Services	<u>2,990,137</u>
Total Operating Receipts	2,990,137
 Operating Expenses	
Personal Services	262,294
Employee Fringe Benefits	143,267
Contractual Services	2,188,521
Supplies and Materials	138,410
Other	<u>6,497</u>
	2,738,989
 Operating Income	 251,148
 Nonoperating Receipts (Disbursements)	
Property and Other Local Taxes	6,916
Special Assessments	1,353
Sale of Notes	798,000
Other Non-Operating Cash Receipts	17,765
Principal Payments	(892,750)
Interest Payments	(12,080)
Other Financing Uses	<u>(560)</u>
Total Nonoperating Receipts (Disbursements)	<u>(81,356)</u>
Change in Fund Cash Balance	169,792
Beginning Fund Cash Balance	<u>560,534</u>
Ending Fund Cash Balance	<u>\$730,326</u>
 <b>Condensed Cash Flows Information:</b>	
	<u>2018</u>
Net Cash Provided by:	
Operating Activities	\$251,148
 Noncapital Financing Activities	
Other Noncapital Financing Activities	<u>25,474</u>
Net Cash Provided by Noncapital Financing Activities	25,474
 Capital and Related Financing Activities	
Proceeds of Capital and Related Debt	798,000
Principal Payments on Capital and Related Debt	(892,750)
Interest Payments on Capital and Related Debt	<u>(12,080)</u>
Net Cash (Used) by Capital and Related Financing Activities	(106,830)
 Net Increase	 169,792
Beginning Fund Cash Balance	<u>560,534</u>
Ending Fund Cash Balance	<u>\$730,326</u>

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Woodsfield  
Monroe County  
221 South Main Street  
Woodsfield, Ohio 43793

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Woodsfield, Monroe County, Ohio (the Village), as of and for the year ended December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated August 26, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2018-006, 2018-007, and 2018-009 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2018-005 described in the accompanying Schedule of Findings to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2018-001 through 2018-006 and 2018-008.

***Village's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

August 26, 2019

VILLAGE OF WOODSFIELD  
MONROE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2018-001

**Noncompliance**

**Ohio Revised Code Chapter 133** authorizes various methods by which subdivisions may incur debt. **Ohio Rev. Code § 133.22** allows a subdivision to issue anticipatory-securities; **Ohio Rev. Code § 133.10** allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision. **Ohio Rev. Code § 133.15** allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct and **Ohio Rev. Code § 133.18** allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

The Village has issued commercial promissory notes with a local banking institution for various purposes. This type of debt does not meet the criteria for any of the debt allowed in **Ohio Rev. Code Chapter 133**.

This type of debt is not authorized in **Ohio Rev. Code Chapter 133**. Without a statutory provision authorizing this method for incurring debt, the Village was not permitted to use such a method. The Village had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions. Inadequate policies and procedures related to debt issuance can result in illegal expenditures by the Village.

The Village should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

**Officials' Response:** The Village utilizes grant monies or other authorized loan monies, and maintains a reserve account for each enterprise fund, in order to address large-scale infrastructure projects. In the event of a need that is time-sensitive or to replace a short-term asset, the village utilizes highly competitive interest rates from the local financial institution. It has been the village's experience that this method of borrowing funds has allowed the village to continue to do business in an efficient manner while financing small investments at a competitive interest rate. However, the village has put more effort into setting aside capital improvement funds for each department to avoid the necessity of a financial institution, and has also adopted the practice of limiting the amount to be borrowed by contributing as much cash on hand as possible.

FINDING NUMBER 2018-002

**Noncompliance**

**Ohio Rev. Code § 135.18(A)** states that each institution designated as a public depository and awarded public deposits under §§ 135.01 to 135.21 of the Revised Code, except as provided in § 135.44 or 135.145 of the Revised Code, shall provide security for the repayment of all public deposits by selecting one of the following methods: 1) Securing all uninsured public deposits of each public depositor separately as set forth in divisions (B) to (J) of this section; 2) Securing all uninsured public deposits of every public depositor pursuant to § 135.181 or 135.182 of the Revised Code, as applicable, by establishing and pledging to the treasurer of state a single pool of collateral for the benefit of every public depositor at the public depository.

VILLAGE OF WOODSFIELD  
MONROE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2018-002  
(Continued)

**Noncompliance - Ohio Rev. Code § 135.18(A) (Continued)**

As of December 31, 2018, the Village's checking account had a total demand deposit balance of \$2,670,153 less Federal Deposit Insurance (FDIC) coverage of \$254,929 totaling \$2,415,224. Collateral in the amount of \$2,200,000 was pledged by the financial institution on behalf of the Village leaving \$215,224 of the Village's bank balance uninsured and uncollateralized. Without proper collateral, the Village is at risk of losing funds.

The Village should ensure proper and accurate collateral is obtained to cover bank account balances in excess of \$250,000.

**Officials' Response:** This has not been an occurrence ever in the past, and it is due to the sale of the Cable Department, which was sold for a large sum of money. The sale caused the amount of funds in the village checking account to be considerably higher for a short period of time, until the check could clear and funds be applied to the Cable note. The village will be mindful of the limitations in the future if receipts are once again excessive.

FINDING NUMBER 2018-003

**Noncompliance**

**Ohio Rev. Code § 5705.39** provides that total appropriations from each fund shall not exceed the total of the estimated revenues available for expenditure as certified by the budget commission. In addition, no appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total estimate or amended official estimate.

At December 31, 2018, appropriations of \$670,500 exceeded estimated resources of \$630,709 by \$39,791 in the General Fund.

The Village Fiscal Officer should review estimated resources versus appropriations throughout the year. Additionally, Village Council should not approve appropriations greater than estimated resources. This could result in the Village spending more money than it receives and could cause possible negative fund balances.

**Officials' Response:** This was due in part to the Fiscal Officer's oversight in not delivering supplemental documents to the county Auditor's Office. Although funds were available, it was not adequately reflected in the estimated resources. See Finding # 2019-009.

FINDING NUMBER 2018-004

**Noncompliance**

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.



VILLAGE OF WOODSFIELD  
MONROE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018  
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2018-004  
(Continued)**

**Noncompliance - Ohio Rev. Code § 5705.41(B) (Continued)**

At December 31, 2018, the Village's expenditures exceeded appropriations in the following funds:

<b>Fund</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
Permanent - Brague Endowment	\$97,021	\$123,978	(\$26,957)
Enterprise - Electric Operating	2,807,403	3,541,949	(734,546)

Variances were due to audit adjustments made to the Village's financial statements.

The Village Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**Officials' Response:** The variances were due to audit adjustments to our financial statements.

**FINDING NUMBER 2018-005**

**Noncompliance and Significant Deficiency**

Woodsfield Village Code § 181.13 (Village Ordinance 1216-17 enacted on October 16, 2017 superseded Village Ordinance 1208-17), states that the municipal income tax revenues collected under the provisions of this chapter shall be deposited in the Village's Income Tax Receipt Fund and such funds shall be disbursed monthly in the following order:

- a) Two Thousand Five Hundred Dollars (\$2,500) to the Income Tax Fund to defray all costs of collecting the taxes and cost of administering and enforcing the provisions hereof.
- b) The balance of such funds available shall be disbursed to the following fund for the following purposes:
  - 39.0% to the Street Construction and Maintenance Fund for maintenance, repair, and / or improvement of municipal streets and roadways;
  - 7.5% to the Parks and Recreations Fund for recreation and recreation facilities;
  - 3.5% to the Building Fund for maintenance, repair, and / or improvement of municipal buildings;
  - 2.5% to the Fire Equipment Fund for improvement and upgrading of the Fire Department;
  - 1.0% to the Sidewalk Fund and the Property Maintenance Fund, to be allocated as follows:
    - First, to the Sidewalk Fund (for the maintenance, repair, and / or improvement of sidewalks in the Village) up to the time such account should reach a maximum balance of \$2,500; (provided, further, that any disbursement from the Sidewalk Fund shall be reimbursed to the Sidewalk Fund from the General Fund in such account as is necessary to restore the Sidewalk Fund to a balance of \$2,500). Thereafter, all additional funds from this allocation shall be deposited to the Property Maintenance Fund;
    - 0.5 % to the Property Maintenance Fund; and
  - 46.0% to the General Fund which is subject to appropriation and expenditure by Council for any lawful purpose for which monies from the General Fund may properly be expended.

VILLAGE OF WOODSFIELD  
MONROE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2018-005  
(Continued)

**Noncompliance and Significant Deficiency - Woodsfield Village Code § 181.13 (Continued)**

Woodsfield Village Code § 181.13 (Village Ordinance 1240-18 enacted on August 6, 2018 superseded Village Ordinance 1216-17), states that the municipal income tax revenues collected under the provisions of this chapter shall be deposited in the Village's Income Tax Receipt Fund and such funds shall be disbursed monthly in the following order:

- a) The balance of such funds available shall be disbursed to the following fund for the following purposes:
  - 39.0% to the Street Construction and Maintenance Fund for maintenance, repair, and / or improvement of municipal streets and roadways;
  - 7.5% to the Parks and Recreations Fund for recreation and recreation facilities;
  - 4.0% to the Building Fund for maintenance, repair, and / or improvement of municipal buildings;
  - 2.5% to the Fire Equipment Fund for improvement and upgrading of the Fire Department;
  - 1.0% to the Property Maintenance Fund for maintenance, repair, and / or improvement of sidewalks in the Village of Woodsfield.
  - 46.0% to the General Fund which is subject to appropriation and expenditure by Council for any lawful purpose for which monies from the General Fund may properly be expended.

The Village Fiscal Officer did not allocate income tax monies in accordance with the Village's income tax ordinances. The General, Street Construction and Maintenance, Park and Recreation, Fire, and Property Maintenance Funds, received an excess of income tax monies in the amounts of \$1,150, \$975, \$188, \$63, and \$2,323, respectively, and should have been allocated to the Income Tax, Sidewalk, and Building Funds in the amounts of \$2,500, \$1,524 and \$675, respectively.

The adjustments, with which management agrees, have been posted to the accounting records and are reflected in the accompanying financial statements.

The Village did not have an internal control process in place to ensure income tax receipts are allocated to the proper funds in accordance to the Village income tax ordinance.

By not having a process to ensure income tax receipts are allocated to the correct fund could result in a material financial statement misstatement and go undetected.

The Village should follow the Village Ordinance in effect to allocate Income Tax Collections.

**Officials' Response:** The ordinance itself was drafted incorrectly by the Village Solicitor, in his effort to "cut and paste" from a previous ordinance. The changes to be made were listed in the introduction of the ordinance, but the apportionments were listed incorrectly further into the ordinance (which were not to be altered). This was corrected and made retroactive in 2019.

VILLAGE OF WOODSFIELD  
MONROE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2018-006

**Noncompliance and Material Weakness**

Woodsfield, Ordinance 947-98 (10/5/98) requires, in part, that the monies or assets received from the bequest shall be preserved intact, without withdrawal or diminution, to earn interest for the operation and maintenance of Oaklawn Cemetery. Only the investment income or interest shall be used from this fund.

In addition, the Last Will and Testament of the donor requires that income only be used for the care and maintenance of Oaklawn Cemetery.

The Village maintains an investment account for the Brague Endowment Fund. During 2018, the Village transferred the Brague Investments from Wells Fargo to LPL Financial Services. In December, the stock market dropped and the investments took a loss. This resulted in investments being overstated by \$118,792 in the Brague Endowment Fund.

This adjustment, with which management agrees, is reflected in the accompanying financial statements and has been posted to the Village's accounting records.

The Village should maintain an accurate fund balance on their books of the Brague investments to reflect the statement balance reported by the investment company.

**Officials' Response:** Calculating the exact amount of investment income and losses has been difficult with the transfer of funds, as well as the discrepancy between actual value and market value. The Fiscal Officer has been advised by the Auditor's office on how to calculate this going forward. The account has recovered its losses as of second quarter 2019, and returned to its original market value when left as a bequest.

FINDING NUMBER 2018-007

**Material Weakness**

In our audit engagement letter, as required by AU-C § 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C § 210 paragraphs .A14 & .A16.

The Village Officer's Handbook (revised March 2019) and the UAN Accounting and General Manual (revised March 2019) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example).

Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

**VILLAGE OF WOODSFIELD  
MONROE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2018-007  
(Continued)**

**Material Weakness (Continued)**

We noted the following:

- The Fiscal Officer did not record bond anticipation note proceeds and principal payments of \$798,000 within the Electric Operating, Enterprise Fund for the issuance of bond anticipation notes through AMP Ohio to their accounting records.
- The Fiscal Officer recorded payments totaling \$600,000 for the sale of the Woodsfield Municipal Cable and Internet owned by the Village of Woodsfield as an Extraordinary Item however should have been recorded as a Special Item in the Enterprise - Cable Fund.
- The Fiscal Officer did not record loan proceeds or expenditure for a 2018 John Deere Backhoe in the total amount of \$27,940 within the Enterprise - Water Improvement and Sewer Improvement Funds for the issuance of a promissory note through Citizens National Bank to their accounting records.
- An AMP payment was posted to Electric Fund - Interest in the amount of \$95,873; however should have been posted to Principal and Other Contractual Services in the amounts of \$78,750 and \$17,123, respectively.
- The Fiscal Officer recorded payments for rental of office space in the amounts of \$12,400 and \$9,600, respectively, in the Special Revenue - Street and Capital Projects, Municipal Building Fund as Charges for Services; however, should have been recorded as Miscellaneous Revenue.
- The Motorola Radio principal and interest payment in the amount of \$5,358 was posted to Other Debt Service; however should have been posted to Principal and Interest in the amounts of \$4,998 and \$360, respectively in the Enterprise – Parking Fund.
- The Fiscal Officer did not record capitalized interest of the OWDA Long-Term Control Plan in the amount of \$9,178 which should be recorded as other debt proceeds and principal payment in the Enterprise - Sewer Short-Lived Fund.
- The Fiscal Officer recorded electric collections in the amount of \$2,582 to the Special Revenue - Park and Recreation Fund as Municipal Income Tax instead of to Charges for Services.
- The Fiscal Officer recorded a reimbursement from the local school district in the amount of \$1,492 to Charges for Services instead of to Miscellaneous Revenue in the Special Revenue - Parks and Recreation Fund.
- Mayor's court fines and fees receipts and distribution were not posted to the accounting records as an agency fund in the amount of \$37,616.

The adjustments above, with which management agrees, are reflected in the accompanying financial statements.

The Ohio Village Officer's Handbook also provides five suggested fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

VILLAGE OF WOODSFIELD  
MONROE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2018-007  
(Continued)

**Material Weakness (Continued)**

We noted the following:

- The Village classified a portion of the fund balance of the General Fund in the amount of \$39,687 as unassigned; however, should have been assigned as appropriate so as to include year-end General Fund balance appropriated in the next fiscal year and also to include encumbrances outstanding as of December 31, 2018.

The above adjustment, with which management agrees, is reflected in the accompanying financial statements.

The Village did not have procedures in place to accurately post receipts, disbursements, and fund balance in the correct classification to the accounting system.

Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and increases the risk that management would not be provided an accurate picture of the Villages financial position and operations.

When Village Council issues debt and the financial institution pays the vendor directly, the activity should be posted to the Village's accounting records as a memo receipt and expenditure. The Village Fiscal Officer should also appropriately classify and record all receipt, disbursement, and fund balance transactions based on the source of the receipt, nature of the expenditure, and upon the constraints placed upon the use of the resources.

**Officials' Response:** All errors have since been corrected and the Fiscal Officer reviewed each inaccurate posting with the Auditor's office.

FINDING NUMBER 2018-008

**Noncompliance**

Article VIII, §§ 4 and 6 of the Ohio Constitution prohibit a public body from becoming a "stockholder in any joint stock company, corporation or association."

On June 18, 2018, Village Council passed Ordinance 1236-2018 to specify procedures for the maintenance of privately contributed funds and to clarify the parameters of the management and investment of such privately contributed funds regarding the municipal investment and capitalization policy.

This ordinance is clarifying the Village's existing investment policy legislated through Ordinance 1097-09 passed on January 20, 2009 regarding the investment of privately contributed funds, such as the Village's Brague Endowment Fund. Ordinance 1236-2018 specifically includes, without limitation, the authorization of consideration of investment in common stocks.

**VILLAGE OF WOODSFIELD  
MONROE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2018-008  
(Continued)**

**Noncompliance - Article VIII, §§ 4 and 6 of the Ohio Constitution (Continued)**

While Village Council has taken proactive steps in monitoring the investment activity of the Brague Endowment Fund monies by passing the above noted ordinance, unless the common stock was originally donated to the Village the Ohio Constitution prohibits a public body from becoming a stockholder in a private company.

The Village's investment broker, who handles the investment of the monies held in the Village's Brague Endowment Fund (a permanent trust fund), invested part of these monies in various common stocks during 2018. The fair market value of the Village's investments in common stocks at December 31, 2018 was \$546,462, or 50.6%, of the Village's investment account for the Brague endowment.

Village Council should contact their investment broker and consider liquidating common stock holdings and reinvesting the proceeds in eligible investments in compliance with Article VIII, Sections 4 and 6 of the Ohio Constitution and their investment policy.

**Officials' Response:** The Village of Woodsfield received a considerable portion of the Brague Endowment in the form of common stocks, and they have remained so since that time. The investments, as they now stand, are in compliance with the village's investment policy in regards to endowments left to the village.

**FINDING NUMBER 2018-009**

**Material Weakness**

Sound accounting practices require accurately posting estimated receipts to the accounting system to provide information for budget versus actual comparison and to allow Village Council to make informed decisions regarding budgetary matters.

The original certificate and amendments establish the amounts available for expenditures for the Village and the budgetary receipts posted in the accounting system provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the accounting system.

The Fiscal Officer did not properly post budgeted receipts and any amendments made to them to the accounting system. Variances existed between the certificate of estimated resources to the amounts posted to the accounting system throughout the year.

The following table detail these variances:

Fund	Amount per last Amended Certificate	Amount Posted to Accounting System (UAN)	Variance
General	\$536,720	\$580,660	(\$43,940)
Cemetery	135,667	187,667	(52,000)
Electric Operating	2,461,000	2,611,900	(150,900)

VILLAGE OF WOODSFIELD  
MONROE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2018-009  
(Continued)

**Material Weakness (Continued)**

Because the information entered into the accounting system was not always accurate, the amount reported as budgeted receipts in Note 3 to the financial statements have been adjusted and agreed to by Village management.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The approved Certificate of Estimated Resources (and/or amendments thereof) was not always accurately posted to the accounting system.

Failure to accurately post estimated resources to the accounting system could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts, the Village should post to the accounting system, on a timely basis, estimated receipts as certified by the budget commission. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources have been properly posted to the accounting system.

**Officials' Response:** Supplementals to the Estimated Revenues were prepared by the Fiscal Officer, but were not all submitted to the County Budget Commission. The funds involved were not overspent. The Fiscal Officer will be more conscientious of reporting supplemental receipts in the future.



**The Village of Woodsfield**  
**221 South Main Street**  
**Woodsfield, OH 43793**  
**(740) 472-0418**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**December 31, 2018**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	Noncompliance – Ohio Rev. Code § 133 for unallowable debt.	Not Corrected.	The village will attempt to maintain capital improvement line items within each department to avoid borrowing funds in the future.
2017-002	Noncompliance – Ohio Rev. Code § 731.14 – Contracts by legislative authority of a village	Corrected.	
2017-003	Noncompliance – Ohio Rev. Code § 5705.38(A) – for not passing appropriation measure. Ohio Rev. Code § 5705.41(B) – expenditures exceeding appropriations.	Partially Corrected.	Ohio Rev. Code § 5705.38 was corrected. Ohio Rev. Code § 5705.41(B) was not corrected. The variances in FY18 were due to audit adjustments.
2017-004	Noncompliance and Significant Deficiency – Ohio Rev. Code § 5705.10(D) – Receipts paid into an incorrect fund.	Not Corrected.	The Fiscal Officer will work to ensure receipts are paid into the correct fund.
2017-005	Noncompliance and Significant Deficiency – Woodsfield Village Code § 181.13 – Allocation of Municipal Income Tax	Not Corrected.	Allocations of the income tax revenue continue to be a subject requiring clarification. This has been addressed by cautioning Council to review documents for errors beforehand, and asking the Village Solicitor to prepare documents for review prior to meetings in which a vote is anticipated.
2017-006	Noncompliance and Material Weakness – Woodsfield, Ordinance 947-98 for investments not being recorded at actual value.	Not Corrected.	This issue has been resolved and funds are frozen until returning to their original amount, which occurred in second quarter 2019.
2017-007	Noncompliance – Article VIII, §§ 4 and 6 of the Ohio Constitution for having investments in common stock.	Not Corrected.	Investment in common stock refers to investments left in a trust to the Village for caretaking of the Oaklawn Cemetery, and were received in the form of stocks.
2017-008	Material Weakness – for not recording receipts, disbursements, and fund balance into accurate classifications or not recording all such transactions.	Not Corrected.	The Fiscal Officer will work to correct inaccurate classifications of funds.
2017-009	Material Weakness – for not properly updating accounting system approved appropriations.	Not Corrected.	The Fiscal Officer will work to ensure the accounting system is updated for all budgetary amounts.



# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF WOODSFIELD**

**MONROE COUNTY**

### **CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 5, 2019**